

FISCAL NOTE

Bill #: SB0313

Title: Establish Montana online school

Primary Sponsor: Laible, R

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$154,600	\$525,500
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	(\$154,900)	(\$525,500)

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Office of Public Instruction (OPI)

1. The Montana Online School established by SB 313 will be conducted as a separate school under the direction of the Board of Public Education. This would be akin to the relationship that the Board of Public Education has with the Montana School for the Deaf and Blind. Office space would be provided at the Department of Education at the University of Montana, Missoula.
2. Under current law, a school district may contract with a provider for the electronic delivery of educational services. SB 313 provides another option for schools to contract with a distance-learning provider. Any public school district that contracts with the online school to provide services to students of the district would need to do so within the existing funding available to the district.
3. Under current law, an enrolled student who is served through electronic delivery counts for ANB purposes if the student is served at the school site.
4. SB 313 expands eligibility for ANB to students who are served in an offsite instructional setting and allows a district to enroll and serve a resident student through the electronic delivery of its curriculum at site other than a district facility. It is likely that passage of SB 313 will encourage more home school students, especially high school students, to enroll part-time as public school students.

Fiscal Note Request SB0313, As Introduced

(continued)

5. For FY 2005, home school enrollment (as registered with county superintendents) totals 3,971. By grade level, the home school enrollment is: 107 enrolled in kindergarten, 2,932 in grades 1-8, and 932 in grades 9-12.
6. Enrollment in FY 2005 drives ANB funding for FY 2006. Therefore, SB 313 will not impact K-12 BASE costs until FY 2007. For the purposes of this fiscal note, it is assumed that no school experiences a 6% increase in enrollment in FY 2006 as a result of this legislation. (The 6% threshold is the threshold a school district to be eligible for additional state aid through a budget amendment.)
7. It is assumed that the availability of distance learning programs will increase over time. For FY 2006, 5% of the home school students in grades 1-6 (147 students) and 10% of the home school students in grades 9-12 (93 students) are anticipated to enroll part-time in public school in response to the distance learning option.
8. The state funding per-ANB for an elementary ANB (based on the present law adjustments) will be \$2771 in FY2007 and for a high school ANB it will be \$3589. Based on these assumptions, the state's cost for K-12 BASE aid will increase by \$370,600 in FY 2007 as a result of SB 313. [FY 2007 = 147 elementary students enrolled half-time at a cost of \$2771 each plus 93 high school students enrolled half-time at a cost of \$3589 each.]

Board of Public Education (BPE)

9. There will be a full time executive director hired at \$48,000 per year plus benefits.
10. There will be a full time Administrative Assistant hired at \$20,000 per year plus benefits.
11. A three member Advisory Board will meet six times a year at a cost of \$1200 per meeting, plus a \$50 per day per diem allowance.

Teachers Retirement System (TRS)

12. Compensation earned by teachers or specialist providing educational services through the online school will not be reported to TRS, thus eliminating the opportunity for select members of the Teachers' Retirement System to spike salaries in their final years prior to retirement.
13. Only the executive director of the online school would participate in the Teachers' Retirement System.

FISCAL IMPACT:

Board of Public Education (BPE)

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	2.0	2.0

Expenditures:

Personal Services	\$68,000	\$68,000
Operating Expenses	51,500	51,500
Equipment	15,000	15,000
Benefits	<u>20,400</u>	<u>20,400</u>
TOTAL	\$154,900	\$154,900

Funding of Expenditures:

General Fund (01)	\$154,900	\$154,900
-------------------	-----------	-----------

Fiscal Note Request SB0313, As Introduced

(continued)

Office of Public Instruction (OPI)

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$0	\$370,600
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$370,600
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$154,900)	(\$525,500)

TECHNICAL NOTES:**Office of Public Instruction (OPI)**

1. Section 4 of the bill refers to “standards promulgated by the superintendent of public instruction.” The correct reference would be to “standards promulgated by the board of public education.”
2. Educators providing services through the online school must do so as independent contractors and may not be covered under the Teachers Retirement System while teaching through the online school. A teacher cannot be a full-time teacher in the public school and teach more than one class as an independent contractor at the same time. This provision in SB 313 could serve as a disincentive for a public school teacher to provide services to the online school; the teacher would be required to reduce his/her hours of employment to teach more than one class as an independent contractor with the online school.

Department of Labor and Industry (DLI)

3. Section 2(5)(b) specifies that a teacher or specialist who provides educational services through the online school is an independent contractor. However, the status of the individual providing services must be determined on a case-by-case basis by analyzing the factual circumstances of the working relationship for workers’ compensation, unemployment insurance, human rights, and wage and hour purposes